



Arnold Schwarzenegger, Governor  
State of California  
Business, Transportation and Housing Agency

Department of Managed Health Care  
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August 1, 2005

Robert G. Becker  
General Counsel  
Delta Dental of California  
100 First Street  
San Francisco, CA 94105

2005 AUG 16 PM 2:15

DEPARTMENT OF MANAGED HEALTH CARE  
ACCOUNTING OFFICE

**RE: Violation of Prompt Claims Payment Requirements  
Enforcement Matter No. 05-034**

### **LETTER OF AGREEMENT**

The Office of Enforcement of the California Department of Managed Health Care (the "Department") has concluded its investigation in the above-noted matter. The Department has determined that Delta Dental has committed violations of the Knox-Keene Health Care Service Plan Act of 1975, as amended (the "Knox-Keene Act").

During a routine examination conducted by the Department's Division of Financial Oversight, it was discovered that Delta Dental did not pay any interest or penalties on many of the orthodontic claims it had paid outside the statutory timeframe. This same deficiency was brought to Delta Dental's attention during the previous routine financial exam as well.

According to Health and Safety Code section 1371, all health plans must reimburse claims as soon as practical, but no later than thirty (30) working days after the receipt of the claim by the health care service plan, unless the claim is contested. If an uncontested claim is not reimbursed within thirty (30) days, interest shall accrue at a rate of fifteen (15%) percent per year. Health plans must automatically include all interest that has accrued in the payment of such claims. If a health plan fails to include this interest payment automatically, an additional ten dollar (\$10) fee shall be paid to the provider.

Based on the findings of the most recent financial exam, the Department requested additional information from Delta Dental concerning the payment of its orthodontic claims from November 6, 2002 through 2004. The information Delta Dental provided in response indicated that it had failed to pay 28,598 claims within the thirty (30) day

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statutory deadline. In further violation of section 1371, no interest or ten dollar (\$10) penalty was paid to the providers who received these late payments. Delta Dental was responsible for paying \$127,546.13 in outstanding interest, as well as \$285,980.00 in penalties for failing to automatically include the appropriate interest payment at the time the claims were paid. These outstanding interest and penalty payments were made on March 16, 2005, March 18, 2005, and March 21, 2005. Delta Dental has assured the Department that an automated payment process for orthodontic claims will be implemented by the end of the second quarter of 2005.

Based on the facts outlined above, the Department finds that Delta Dental has violated Health and Safety Code section 1371. Pursuant to section 1386, the Department finds that an administrative penalty of \$50,000 is warranted in this matter. Delta Dental agrees to pay the penalty. The Department agrees that the execution of this Letter of Agreement and payment of the penalty will settle this enforcement matter.

Sincerely,

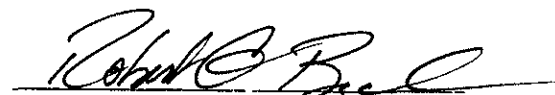


Amy L. Dobberteen  
Assistant Deputy Director  
Office of Enforcement

JVG:kts

Accepted by Delta Dental of California

DATE: August 5, 2005



Robert G. Becker  
General Counsel  
Delta Dental of California